



17555 PEAK AVENUE MORGAN HILL CALIFORNIA 95037

## **MORGAN HILL**

### **FINANCIAL POLICY COMMITTEE**

City of Morgan Hill  
East Conference Room (moved from  
West Conference Room)  
17555 Peak Avenue  
Morgan Hill, California

Chairperson:  
Committee Member:  
Committee Member:  
Staff:

Council Member Marby Lee  
Council Member Mark Grzan  
City Treasurer Mike Roorda  
City Manager Ed Tewes  
Finance Director Jack Dilles  
Asst. to the City Manager Brian Stott

### **REGULAR MEETING**

**Wednesday, February 28, 2007**

#### **MINUTES**

**6:04 P.M.**

#### **CALL TO ORDER by Chair Lee**

Present: Chair Lee & Committee Members Roorda & Grzan  
*Staff:* Tewes, Dilles, & Stott

#### **DECLARATION OF POSTING OF AGENDA**

In compliance with Government Code 54954.2

#### **PUBLIC COMMENTS**

The Morgan Hill Financial Policy Committee welcomes comments from all individuals on any agenda item being considered by the Committee. In the interest of brevity and timeliness and to ensure the participation of all those desiring an opportunity to speak, comments presented to the Committee are limited to Three Minutes.

## **BUSINESS:**

### **1. Approval of Financial Policy Committee Minutes of January 24, 2007**

*The Financial Policy Committee minutes for the regular meeting of January 24, 2007, were approved on a motion by Committee Member Roorda, seconded by Committee Member Grzan.*

### **2. Pension Obligation Bonds**

*Staff presented the staff report and explained the advantages and disadvantages of the City issuing pension obligation bonds, along with a brief history of the ups and downs of pension costs. With current market bond rates, the City might save up to \$80,000 per year on CalPERS safety plan annual payments. City Manager Tewes added that one of the reasons that the General Fund was able to build up its large reserve was because of pension cost savings during the late 1990's and early 2000's. Staff stated that there were 3 ways the City could go concerning the payment of pension costs: 1) continue to pay the current stable, but high, annual costs billed to the City by CalPERS on a rolling 30 year amortization basis; or 2) issue pension obligation bonds to pay down the unfunded actuarial liability; or 3) obtain a "fresh start" from CalPERS and pay the unfunded actuarial liability on a 30 year amortization basis. Staff explained a pension benefit obligation bond issue for the safety plan would be safer than a bond issue for the miscellaneous plan because the safety plan is part of a state-wide pool with fewer variables and less risk. In response to questions about using City reserves to pay down the unfunded actuarial liability, City Manager Tewes indicated that the City should not use its reserves for this purpose, but should instead keep the reserve funds as a hedge against losses. The Committee asked staff to return with more information about: 1) the experience of other cities that have issued pension obligation bonds; and 2) the cost of a 30 year amortization of the unfunded actuarial liability.*

### **3. AB 83 Property Assessment Revenue for Education (PARE) (Policy Discussion)**

*Staff made a presentation concerning this item. Staff elaborated on the County's concern about the maintenance of effort requirement in AB83. The Committee indicated that no Committee action should be taken on this matter..*

### **4. January 2007 Financial and Investment Report**

*Committee Members briefly the monthly report. Staff indicated that the numbers through January are consistent with the five year projections provided to the City Council at their January retreat.*

### **5. Future Agenda Items**

*None.*

**ADJOURNMENT: 7:00 P.M.**

## **NOTICE**

### **AMERICANS WITH DISABILITY ACT (ADA)**

The City of Morgan Hill complies with the Americans with Disability Act (ADA) and will provide reasonable accommodation to individuals with disabilities to ensure equal access to all facilities, programs and services offered by the City. If assistance is needed regarding any item appearing on the City Council agenda, please contact the Office of the City Clerk at 17555 Peak Avenue or call 779-7259 or (Hearing Impaired only - TDD 776-7381) to request accommodation.